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WEITERE INFORMATIONEN OK

Thursday, October 08, 2015

Estimating and minimizing consumer worry

The process of selling in general, and web commerce in particular, is often described or charted as a funnel. Prospective customers are poured in at one end, and a fewer number of paying customers come out at the other. The other prospects spill out through other holes or over the side of the funnel and don't bring you any revenue. The fraction of customers left, converted from prospects to customers, is called the conversion rate. As prospects proceed from initial interest to final sale, from initial entry page to clicking the final "I Agree" button, more and more of them become discouraged by various worries which beset the consumer. They drop out. The remaining prospects, those who have not dropped off, have been converted into customers or into an audience for your advertisers.

There are a variety of factors that cause drop-off, which vary from business to business. A common cause is forms. Simplifying forms often greatly increases conversion rates. For example, in one study cutting the number of lines on a form in half increase conversions by a third. As one web designer put it: "[i]s every field you're asking the visitor to submit absolutely necessary? Can you trim the fat and make the process simpler?"

Besides the sheer tediousness and time consumed in filling out forms, rational consumers also worry about the potentials for privacy violation and identity theft from the information most e-commerce sites currently require them to divulge: physical and e-mail addresses, phone numbers used for cross-site behavioral tracking, insecure credit card numbers, and more.

About Me

Nick Szabo

"A premier thinker about history, law and economics, and the lessons they have for security." -- Adam Shostack, Emergent Chaos

"Szabo comes out with these essays that leave me in awe." -- Brian Dunbar

"Reading material that is eclectic, challenging and endlessly fascinating." -- Sean McGrath, Propylon

"Like most blogs worth my attention, this blog is updated only infrequently. That is because the authors of blogs worth my attention only post when they have something to say that is true, relevant and not already known by their audience. Most of the human race does not have the skill to know when an idea has these three properties. The skill is particularly rare in the fields of politics and economics, which is why this blog is such a rare and valuable thing." -- Richard Hollerith

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The tinfoil-wallet crowd is now mainstream

Instances of regret that one has filled out a form, only to have one's trust violated -- or pride among the sophisticated that they refused to fill out such a form -- are on the rise.

The worst worry culprit is usually the step you most want your customers to complete -- paying you. "[T]he credit card form likely has the highest abandonment rate of any other part of the sign-up process." [Source].

If you don't require payments, you are probably funding your service through advertisements. Those also cause worries. Ads typically distract and delay from the content users are after, provide a low quality of entertainment or information, and are too often offensive. And sophisticated users are worried about the tracking that tends to go with ads. Ad blocking grew nearly tenfold between 2009 and 2014.

Replacing ads and identity-based payments with payments that don't require identity, such as bitcoin, can greatly reduce these worries, lowering the barriers and hesitations that currently prevent consumers from paying for your service.

But there remains a big worry that no payment system can reduce. Consumers worry about whether they are getting their money's worth -- the mental transaction cost problem (see also this paper). If e-commerce were as worry-free as some of it could be, your customers would neither have to fill out forms, nor be bothered by ads, nor have to worry about repeated charges for content or services of variable value. They would be able to just insert a few digital coins into your online vending machine and then not have to worry about losing your service for another year. Eliminate forms *and* eliminate repeated payments -- both are key to worry-minimized e-commerce.

Many bitcoin startups are making the grave mistake of replacing one set of worries with another. The ability of cryptocurrency systems to facilitate small payments tempts many companies to nickel-and-dime their customers with pay-per-click micropayments and other such excruciating schemes. Don't follow the many lemmings who have already jumped off that cliff. Stick to long-term subscriptions for content (or other services of variable value) and pay-per-unit for fungible units of consistent value (as in phone minutes). That way customers aren't saddled with having to constantly re-evaluate the amount and worthiness of recurring charges. The costs to your customers of having to finance a years' worth of low-cost subscription to a reputable brand is almost always far less than the mental transaction costs of recurring charges for content or services of variable value. The ideal worry-free commerce is to "stick the coin into

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the machine" once, and then never have to pay again for an entire year. A vending machine for subscriptions. Reduce your customers' worries across the board: eliminate forms *and* eliminate recurring charges.

Ideal worry-minimization can only be closely approached in some purely online forms of commerce, such as video streaming, remote storage, privacy services, and the like. The more physical and offline contract performances are -- a common example being physical delivery -- the more location, various kinds of identity (legal, social network, etc.) may need to come into play, adding, often greatly and necessarily, to the worry overhead, the mental transaction costs, of your relationship with your consumers.

I have previously called this worry-minimized commerce by a narrower label, "form-minimized commerce." The complexity of the forms you make your users fill is indicative of the worries you are causing them, and thus the barriers you are putting up between your prospects and their decisions to purchase your services.

When you are a consumer, the tediousness of the forms you are filling out is not only a direct cost of your time, and your ability to enjoy that time, it is on top of that a decent proxy measure of the odds of your identity being stolen and of your privacy otherwise being violated. The fewer forms you fill out, the more the tediousness, worries, and risks in your life caused by interacting with the world's institutions will drop in proportion.

While such a proxy measure does not account in particular for the wide variety of information that can be disclosed, nor that some kinds of information (social security numbers) are more risky to divulge than others (throw-away email addresses), nor for the wide variety of risks in identity theft and privacy violation that are consequent, nevertheless consumers necessarily must bring to bear such sweeping rules-of-thumb in order to satisfactorily navigate the bizarre complexities of the digital world. And when your users are using, whether consciously or implicitly, such estimates, you the service provider and the product designer must use them too.

Add to the forms your customers must fill out the repeated charges you make your customers make, and we get a rough proxy measure of the worry that you are causing your consumers:

Index of worry = number of lines of forms + number of repeated charges for content or services of variable value

If you are funded through ads rather than consumer payments, you can substitute for the repeated charges the proportion of screen space covered by your ads, or any other reasonable estimate of the delay and distraction the ads on your pages cause.

The index of worry allows you to estimate and minimize the worries you are causing your users, and as a result to minimize the drop-off in your sales funnel and maximize the number of users coming back for more -- and willing to view your ads or pay for the privilege.

Posted by Nick Szabo at 1:40 PM

10 comments:

Znakit said...

Nick a great piece as always but you seem to confuse a few things, for example recurring charges with the ability to draw from a digital preloaded account or wallet
I would argue (and have data to support it) that by "sticking the coin" to such wallet once and then allowing it to be charged each

time you access online content eliminates the "mental transaction cost". More, it allows the user to be in charge of the transactions by applying it to content they value the most or even to reverse the charges (like with Blendle). It is a much better idea

4:23 AM

Anonymous said...

"allowing it to be charged each time you access online content eliminates the "mental transaction cost"."
It does not. It only makes filling the form easier.

12:58 PM

washo said...

Excellent article Nick. Something we'll keep in mind for OpenBazaar.

12:28 AM

Znakit said...

It does. You do not need to fill any forms once you have created a wallet. Micropayments are charged automatically

7:53 AM

Manfred Karrer said...

Somehow surprising that the capitalist mainstream is not considering that issue more to maximize their revenues.
Know your customer is mostly a violation of privacy and a hugely underestimated risk the companies are exposing their customers regarding identity theft and many flavours of surveillance. That governments and laws are forcing companies to collect those data is a contradiction to the consumer protection they are pretending to offer to their citizens. Of course some services need to collect some sort of private data (in case of physical good delivery) but many do not and if the payment is done with Bitcoin the loss of financial privacy and security is also minimized.

8:09 AM

Doni Wahyudi said...

Obat Ampuh Guna Sembuhkan Sifilis
Cara Menghilangkan Sipilis Tanpa Obat Kimia
Akibat Sifilis Yang Tidak Diobati
Obat Untuk Menyembuhkan Sipilis Yang Luka Di Penis
Cari Obat Untuk Luka Di Penis
Obat Sipilis paling Ampuh
Obat Sifilis Yang Ada Di Apotik
Obat Sipilis Dengan Tumbuhan
Obat Sipilis Mujarab
Obat Sipilis Ampuh
Obat Sipilis Tradisional
Obat Sipilis Herbal
Obat Sipilis Alami
Obat Sipilis Manjur
Obat Sipilis Mujarab
Obat Sipilis Mujarab

Obat Sipilis Mujarab
Obat Sipilis Mujarab

2:26 AM

Edward B. W. Heffernan said...

Merchants must be wary of their customers, hassling them for more information than they would otherwise need.

7:54 AM

Anonymous said...

The form line idea is probably not linear . At some point a form with too little info requests will concern people as well. Also there needs to be some non linear constant that adjusts for a persons familiarity (number of prior visits). And social proof number of unique visitors. I feel like this is going to become a paper of some sort.

6:04 AM

Anonymous said...

A good problem, but is BitCoin an acceptable solution?

First, lets state that: Time is money.

If true, then we can infer those two other statements:

People will spend money to save time.
People will invest time and effort to earn money.

The problem stated in that article is well defined. I.e. The consumers can choose whatever they want between spending money to access online content without delay or losing time in front of "wasting your precious time" ads. A typical time vs money problem.

BitCoin can't solve that since BitCoin design is based on one major flaw: Instead of being build on a "Time is Money" way of distributing wealth it is based on a "Timing is Money" way to do so.

The only way to get BitCoins is based on Timing:

- Being lucky to find a possible solution to the computing puzzle within 10 minutes earns you +1 bitcoin.
- Being an early adopter of that technololgy have earned few people several thousands BitCoin. Some of them have lost them not knowing the future value.
- Being the owner of the genesis block and the main tester have earned one guy a + 1 000 000 bitcoins.

The only factor to earn BitCoin is speculation or luck, not the amount of time you spend on earning them. This implies inequity among the consumers base. So one consumer's time is not equal to another one.

So how do calculate the Consumer Worry value correctly based on a speculative money (digitally signed or not)?

BitCoin to be really successful need to convert Time (Not Timing) into a Digital Currency. Distribution of all the bitcoin units must be in line with that simple rule: Time is Money. Time invests in farming bitcoin must be proportionate to your earnings. Simple as that.

Someone needs to replace the Timing is Money way to acquire BitCoin (or its next version) with a Time is Money solution.

What if I flip money for BitCoin? That won't correct the design flaw of BitCoin since I have to have money or gold or any other fungible asset first.

BitCoin. the way it is now, creates a distortion in the perception of Time from a consumer perspective. It is sure to fail somewhere in the future (giving enough time).

And if I'm being told to join a farming group which will address that by distributing odds between many farmers, I can't agree. If we apply simple recurring logic, we'll find out that the actual design can lead to one single group farming all bitcoin. That would go against the decentralized ideology behind bitcoin or any good crypto currency.

In other words, you are presenting an economical problems correctly, but the actual BitCoin solution you are proposing is flawed by design. So it will for any other economical problems as well.

Cheers, Jean

8:07 PM

kordless said...

Excellent post for the times.

Worry is a light version of the human emotion fear. Fear comes about primarily around trust issues that exist between entities. For example, a very large bear in one's backyard is likely to trigger the fear response because very few of us trust that the bear won't eat us because in reality he's built to do just that. In some, this fear will trigger anger or aggression which may lead to conflict and perhaps physical interaction. Aggression is a mix of the emotions anger and interest which, now I think about it, describes the Bitcoin community to a tee. One might call it "polarized".

Whenever I use software, I'm usually worried that it's going to break and cost me a bunch of suffering dealing with it later after sinking a lot of interest into it up front. When I'm evaluating software that first asks me to deal with unreasonable requirements for personal data, or delivers a difficult install process, I always assume that the actual use of the software is going to suck. That's not to say I haven't used great software that had a crap signup flow, but it's not usually the norm and it's certainly a valid strategy to avoid them, like bears.

Historically, humans put a lot of trust into things that are hard. Diamonds, for example, are the hardest thing known to man. While their value may be artificially inflated, diamonds are still both a finite and valuable resource to humanity. Software, in comparison, is quite common and typically less valuable. I guess there's a reason it's called SOFTware. One thing that struck me early on with Bitcoin was that it presented a way for software to be "harder" or, in plainer terms, made it less likely to lose trust in things stored in it over time.

I see the blockchain as a means by which ALL software can finally become hardened with trust. It's going to take some time for the industry to figure this out, but when it does, all of our lives can be substantial improved, simply by removing the worry and fears we have from using it.

11:21 AM

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